

# The News You Need to Know



Left to right: Andrew Woolley, Andrew Barringer, Christopher Miller, Steven Bell and Alan Loss.

Last February, we wrote about the new SEC and FINRA rules that introduced asking clients aged 65 and up for a “trusted contact” when we are opening or updating accounts. If you would like to let us know your preferences before we have an opportunity to ask, please contact us.



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## Who Is Your Trusted Contact?

*This vital investment account question should be answered sooner rather than later.*

**Investment firms have a new client service requirement.** They must now ask you if you want to provide the name and information of a trusted contact.<sup>1</sup>

You do not have to supply this information, but it is certainly welcomed. The request is being made, with your best interest in mind, to lower the risk that someone crooked might someday make investment decisions on your behalf.<sup>1</sup>

**Financial scams rob U.S. seniors of more than \$36 billion per year.** As a CNBC article notes, 27% of these frauds represent abuse or exploitation committed by third parties; 23% are wrongdoings committed by family members or trustees.<sup>1</sup>

**The trusted contact request is a response to this reality.** The Financial Industry Regulatory Authority (FINRA) now demands that investment firms “make reasonable efforts” to acquire the name and contact info of a “trusted person,” who they can get in touch with if they feel fraud or financial exploitation is occurring or if they suspect the investor is suffering notable cognitive decline.<sup>2</sup>

Investment firms may now put a hold on disbursements of cash or securities from accounts if they suspect the withdrawals or transactions amount to financial exploitation. In such circumstances, they are asked to get in touch with the investor, the trusted contact, and adult protective services agencies or law enforcement agencies if necessary.<sup>2</sup>

**Who should your trusted contact be?** At first thought, the answer seems obvious: the person you trust the most. Yes, that individual is probably the best choice – but keep some factors in mind.

**Ideally, your trusted contact is financially savvy, or at least financially literate.** You may trust your spouse, your sibling, or

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one of your children more than you trust anyone else; how much does that person know about investing and financial matters?

**The trusted contact should behave ethically and respect your privacy.** This person could be given confidential information about your investments. Is there any chance that, in receipt of such information, they might behave in an unprincipled way?

**Your family members should know who the trusted contact is.** That way, any family member who might be tempted to take financial advantage of you knows another family member is looking out for you, which may be an effective deterrent to elder financial abuse. The trusted contact can optionally be an attorney or a CPA.<sup>1</sup>

**Your trusted contact is your ally.** If you are being exploited financially, or seem at risk of such exploitation, that person will be alerted and called to action.

An old saying states that money never builds character, it only reveals it. The character and morality of your trusted contact should not waver upon assuming this responsibility. If given sensitive information about your brokerage accounts, that person should not sense an opportunity.

**Now is the perfect time to name your trusted contact.** You want to make this decision while you are still of sound body and mind. Choose your contact wisely.

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#### Citations.

1 - [cnbc.com/2018/05/15/advisors-are-asking-their-clients-for-a-trusted-contact-choose-wisely.html](http://cnbc.com/2018/05/15/advisors-are-asking-their-clients-for-a-trusted-contact-choose-wisely.html) [5/15/18]

2 - [finra.org/newsroom/2018/new-finra-rules-take-effect-protect-seniors-financial-exploitation](http://finra.org/newsroom/2018/new-finra-rules-take-effect-protect-seniors-financial-exploitation) [2/5/18]